

**Internal Revenue Service**

**Department of the Treasury**

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**Person to Contact:**

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**Refer Reply To:**

CC:IT&A:2 – COR-126764-00

**Date:**

November 22, 2000

Dear [REDACTED]

This is in reply to your letter to Commissioner Rossotti concerning the business standard mileage rate. You feel that the current rate of 32.5 cents per gallon is not a fair figure for mileage on a personal vehicle for company business use.

We are pleased to tell you that the business standard mileage rate will rise to 34.5 cents per mile on January 1, 2001. The primary reason for the increase is the jump in gasoline prices.

The business standard mileage rate is a national average amount determined by an annual study performed by an independent contractor who is an expert in the cost analysis of business use of automobiles. The contractor uses recent data from each state on the component costs of operating the most popular automobiles. The contractor then combines this data to achieve a national composite cents-per-mile rate. It is not feasible to change the rate more often than annually.

Gasoline prices rise and fall during the year, but taxpayers may continue to use the same rate without having to keep records of actual expenses. Although rising gasoline prices can be a disadvantage for taxpayers who use the rate, falling prices can work to their advantage. For example, although gasoline prices fell in 1998, for all of 1998 and through March 31, 1999, taxpayers were able to use the rate that reflected the earlier higher prices.

I hope this information is helpful. Please call Mr. Sapienza at the number above if you have any questions.

Sincerely,

Associate Chief Counsel  
(Income Tax & Accounting)

By: \_\_\_\_\_

Robert A. Berkovsky  
Chief, Branch 2